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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

B 92-2233

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-9219

AVOCA, INCORPORATED
(Exact name of registrant as specified in its charter)

| Louisiana | 72-0590868 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

P.O. Box 61260, New Orleans, Louisiana 70161
(Address of principal executive offices)
(Zip Code)

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(504) 586-7281
(Registrant's telephone number, including a

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _____

The Company has only one class of common stock, of which 830,500 shares were outstanding on April 30, 1992.

An exhibit index is located at page 10 of this report.

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AVOCA, INCORPORATED

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AVOCA, INCORPORATED

PART I - FINANCIAL INFORMATION

Item 1 Financial Statements (Unaudited)

Avoca, Incorporated

Condensed Balance Sheets (Unaudited)

| | March 31 1992 | December 31 1991 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 66,353 | $ 70,774 |
| United States Government securities, at cost | 1,906,302 | 1,901,839 |
| | 1,972,655 | 1,972,613 |
| Accounts receivable | 30,359 | 20,686 |
| Accrued interest receivable | 11,409 | 14,490 |
| Prepaid insurance | 3,533 | 7,113 |
| Total current assets | 2,017,956 | 2,014,902 |
| Property, plant and equipment, less allowance for depreciation and depletion | 1 | 1 |
| Other assets: | | |
| Avoca Drainage Bonds, $415,000, in default—at nominal amount | 1 | 1 |
| | $ 2,017,958 | $ 2,014,904 |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 22,013 | $ 12,000 |
| Dividends payable | - | 58,135 |
| Income taxes payable | 11,287 | 1,824 |
| Total current liabilities | 33,300 | 71,959 |
| Stockholders' equity: | | |
| Common stock, no par value—authorized, issued and outstanding 830,500 shares | 94,483 | 94,483 |
| Retained earnings | 1,890,175 | 1,848,462 |
| | 1,984,658 | 1,942,945 |
| | $ 2,017,958 | $ 2,014,904 |

*See accompanying notes.*

Avoca, Incorporated

Condensed Statements of Income (Unaudited)

| | Three months ended March 31 | |
|---|---|---|
| | 1992 | 1991 |
| Revenues: | | |
| Royalties | $88,609 | $81,978 |
| Less severance taxes | 3,505 | 4,247 |
| | 84,104 | 77,731 |
| Interest on United States Government securities | 20,080 | 31,175 |
| Rental and other income | 2,992 | 45,900 |
| | 108,176 | 154,806 |
| Expenses: | | |
| Professional services | 17,539 | 13,065 |
| Consultant fees | 2,750 | 2,750 |
| Geological and engineering fees and expenses | 7,052 | 5,225 |
| Insurance | 4,733 | 5,200 |
| Miscellaneous expenses | 23,732 | 22,504 |
| | 55,806 | 48,744 |
| Income before income taxes | 52,370 | 106,062 |
| Income taxes | 10,657 | 33,281 |
| Net income | $41,713 | $72,781 |
| Net income per share | $.05 | $.09 |

*See accompanying notes.*

Avoca, Incorporated

Condensed Statements of Cash Flows (Unaudited)

| | Three months ended March 31 | |
|---|---|---|
| | 1992 | 1991 |
| **Operating activities** | | |
| Net income | $ 41,713 | $ 72,781 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Changes in operating assets and liabilities: | | |
| Net increase in operating assets | (3,012) | (16,502) |
| Net increase in operating liabilities | 19,476 | 21,280 |
| Net cash provided by operating activities | 58,177 | 77,559 |
| **Financing activities** | | |
| Dividends paid | (58,135) | (141,185) |
| Net cash used in financing activities | (58,135) | (141,185) |
| Increase (decrease) in cash | 42 | (63,626) |
| Cash and cash equivalents at beginning of period | 1,972,613 | 2,027,039 |
| Cash and cash equivalents at end of period | $ 1,972,655 | $ 1,963,413 |

*See accompanying notes.*

Avoca, Incorporated

Notes to Condensed Financial Statements (Unaudited)

Three Months Ended March 31, 1992

**1. Basis of Accounting**

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1991.

The Company considers its United States Government securities held with a maturity of three months or less when purchased to be cash equivalents.

**2. Contingency**

As discussed in footnote 4 to the Company's December 31, 1991 financial statements, a suit was filed in 1989 relating to an adverse claim of title to approximately 30 acres on Avoca Island. The claimant is seeking to be declared sole owner of the property free and clear of the operator's lease, and for an accounting related to royalty income derived from the 30 acres in dispute. There has been no change in the status of the litigation since December 31, 1991. During 1991, the District Court rendered a partial summary judgement in favor of the plaintiff which the Company appealed. Because the operator of the lease at the time of the lawsuit is currently in bankruptcy, the lawsuit is subject to an automatic stay. The parties involved in the lawsuit are continuing to discuss a settlement, but the Company is of the opinion that any loss incurred would not be material to the financial position of the Company as of March 31, 1992.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

The unaudited condensed statements of income show that net income for the first quarter of 1992, as compared with the first quarter of 1991, decreased from $72,781 to $41,713. The principal reduction was in rental and other income, which decreased by $42,908 because no seismic permits were granted during the quarter, whereas $45,900 was derived from this source during the comparable period of 1991. Also, interest on United States Government securities declined by $11,095, or approximately 36%, as a result of lower interest rates. Royalty income net of severance taxes increased because of income received in the first quarter of 1992 from the Avoca B-1 well, which was successfully reworked by Boo-Ker Oil and Gas Corporation and restored to production in November of 1991. The income from the Avoca B-1 well was offset somewhat by a decrease in production from the Avoca No. 6 well in the first quarter of 1992 as compared to the comparable period of 1991. Because of increased water production, the Avoca B-1 was shut in on March 24, 1992 and the future of the well is in doubt. Production from the Avoca No. 1 well (located on lands leased to Alliance Operating Corporation and operated by Delta Operating Company) and the Avoca No. 6 well (located on lands leased to Damson Oil Corporation and operated by Parker & Parsley Development Company) continued during the first quarter of 1992 at approximately the same levels of production experienced at the

end of 1991. As will appear from the Company's most recent 10-K report, such production is substantially below 1990 levels and the Avoca No. 6 is expected to be abandoned in the near future. No mineral leases were granted and no drilling operations were commenced during the first three months of 1992.

Expenses increased by $7,062, or approximately 14%, because of higher legal fees and geological and engineering fees. The increase in legal fees was attributable to additional services in connection with SEC reporting requirements and projects looking toward greater utilization of Avoca Island's surface resources. The increase in geological and engineering fees resulted from additional work in connection with the Avoca No. B-1 well.

The Company's continued liquidity is evidenced by the fact that approximately 98% of its assets, as measured by book value, are cash or cash equivalents. The Company derives essentially all of its income from the granting of oil and gas leases and the collection of bonuses, delay rentals and royalties thereunder. Since the Company's business is passive, all capital requirements for exploration, development and production of the Company's mineral resources are funded by its lessees.

AVOCA, INCORPORATED

Part II - OTHER INFORMATION

Item 1 - Legal Proceedings

Not applicable

Item 2 - Changes in Securities

Not applicable

Item 3 - Defaults Upon Senior Securities

Not applicable

Item 4 - Submission of Matters to a Vote of Security Holders

The Company's annual meeting of stockholders was held on March 17, 1992. Management's proposal to fix, at six, the numbers of directors to be elected for the ensuing year was approved by the following vote:

For: 539,885 Against: 70 Abstain: 2,570

Item 5 - Other Information

Not applicable

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits required by Item 601 of Regulation S-K: None.

(b) Reports on Form 8-K: No reports have been filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AVOCA, INCORPORATED
Registrant

May 12, 1992

Paul Hogan, III
President and
Principal Financial Officer

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